

LARGE INSTITUTION CRA GUIDANCE

OVERVIEW

The procedures that follow provide additional guidance in developing and completing the performance evaluation (PE) for an institution that is a large bank under Part 345. This guidance supplements existing examination procedures and guidelines, and should be used when preparing for CRA examinations.

Objective

The objective of CRA guidance is to provide specific examiner instruction for large institutions evaluated under the Lending, Investment and Service tests. CRA guidance will enable examiners to work more effectively in conducting CRA examinations through the use of standardized tools and resources during the pre-planning and examination process. The use of tools such as the PE tables will facilitate the analysis of data by examiners. CRA guidance will also produce a more concise and clearly written PE by focusing only on those facts and data that support the examiner's conclusions.

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SAMPLING AND PRODUCT SELECTION GUIDELINES

Sampling the data would be required in several circumstances: the reported data are determined to be inaccurate and cannot be relied upon; the institution has not collected data for partial years; or the examiner determines that consumer loans constitute a substantial majority of the bank's lending; however, the bank has not collected the data.

Examiners should use the criteria listed below as examples of when the loan sampling procedures would be used:

- If sampling is required, use the 90 percent confidence and a 15 percent precision level in most cases unless the 10 percent precision level is warranted. Refer to existing sampling procedures in the Compliance Manual for more guidance.
- If sampling is necessary, the time frame may be limited to the most recent year, particularly if problems have surfaced during the last year. If the time frame is narrow, for example, less than three months, a narrative discussion of your results may be more appropriate than presenting it in a tabular format. *Note: This should not be confused with the expected year-by-year review and analysis of lending activity described more fully under the "Lending Test" section of this Guidance, and shown in the corresponding Standard PE Table templates.*
- If consumer loans represent less than a substantial majority of the institution's lending activity, do not review and include this information within the PE unless management specifically requests this AND the bank has accurately collected all of the required data. Refer to existing guidance to determine what constitutes a substantial majority.
- In cases where consumer loans must be sampled, sample only one or two major consumer loan categories that comprise the majority of consumer loans e.g., automobile loans and home equity loans.
- When the number of community development (CD) loans, investments or services is extensive, it is *not* necessary to review every one to determine if they all qualify. Moreover, applying statistical sampling procedures to determine whether the activities qualify as CD is not appropriate. A sufficient number of CD activities should be reviewed to provide the examiner with a "comfort level" that bank management understands the CD definition and has reported or collected the correct information. Examiners need to use their best judgment in deciding the level of review; but in most cases, the items chosen should be of material importance to the area being reviewed. Examples include whether the activity has a large dollar amount, is particularly noteworthy or unique, indicates responsiveness to community credit needs or benefits a large number of low- and moderate-income individuals or geographies.

GUIDELINES FOR COMPLETING THE PERFORMANCE EVALUATION

General Information

- Three appendices are included in the Sample PE. The use of the appendices will eliminate the need to include the explanation of CRA examination terms and procedures within the body of the PE. The appendix can be expanded, if appropriate; it is recommended that those definitions not applicable to your PE be deleted from the appendix.
- Standard PE Table templates have been developed and are included as a separate document with this guidance package. Only those tables that are most relevant to and that support the rating should be in the report. It is recommended that tables that are used in the analysis but not included in the PE be included with the workpapers. The use of the Standard Table templates is expected, but they can be modified depending upon the circumstances of your particular institution.
- Under each PE performance criterion, begin with the conclusion and provide following supporting comments.
- Tables only should be used in the PE to support the analysis, and not as a substitute for the analysis. The comment, “The bank’s performance is reasonable as shown in table X,” should *not* be used.
- Number your PE tables consecutively.
- Do not include complex charts and tables (e.g., bar and pie charts) within the PE. These types of charts and tables will delay the review and editing process and could be difficult for the reader to understand. The Standard PE Table templates should be used whenever possible.
- Do not provide narrative comments within the PE that simply re-state what is apparent in the accompanying tables. The comments should analyze the data presented in the tables and develop informed conclusions.

The Sample PE tables were prepared using the 10-point font size, while the narrative comments use the 12-point font size. Use these font sizes in the PE to help ensure consistency.

The following sections address each area of the PE. Refer to the Sample PE for additional guidance. In general, PEs should adhere to the following guidelines:

Conclusions with Respect to Performance Tests

- The Interstate Banking and Branching Efficiency Act (IBBEA) requires separate conclusions for each MSA or non-MSA area where an institution has a branch.

According to interagency guidance, there is no longer a need to discuss each assessment area within a metropolitan area separately. Because IBBEA requires a separate presentation of conclusions, facts and data for each metropolitan area where an institution has branches, discussion of this

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(cont'd)**

**Conclusions with
Respect to
Performance Tests
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information at the metropolitan level is sufficient and discussion of smaller assessment areas within a metropolitan area can be combined. Also, it is permitted to group assessment areas within the non-metropolitan area of a state when discussing the institution's performance in the non-metropolitan area (a mandatory requirement for interstate banks; optional for intrastate banks).

- The minimum examination requirements for an institution with branches located in one or more MSAs are as follows:

1. Conclusions (not ratings) must be drawn for each applicable MSA (those MSAs that have branches) within the body of the PE. The MSA conclusions should be based upon the bank's performance under the Lending, Investment, and Service tests.
<p>2. In situations where some or all assessment areas were reviewed using the examination procedures, discuss the institution's CRA performance within each metropolitan area and the non-metropolitan area, including institution strengths and areas for improvement. The narrative should clearly demonstrate how the results of each of the performance test analyses factored into the rating. Support your conclusions with an analysis of facts and data, such as the number and dollar volume of loans and investments, by type, across geographies and borrower categories in the assessment areas reviewed using the examination procedures. In addition, support your conclusions with a discussion of facts and data for assessment areas reviewed without using the examination procedures when appropriate.</p> <p>The standard tables provided should be used whenever possible to summarize and effectively present the most critical or informative data used by the examiner in analyzing the institution's performance and reaching conclusions.</p>
<p>3. In situations where no assessment areas in the metropolitan area or the non-metropolitan area were reviewed using the examination procedures, summarize the facts and data that were reviewed, including demographic information on the assessment areas and information on the institution's performance. Indicate whether the institution's performance in the assessment areas reviewed without using examination procedures is consistent with the institution's record [overall/in the state], using one of the two following statements:</p> <p><i>a.</i> The institution's [lending, investment, service] performance in the area is consistent with the institution's [lending, investment, service] performance overall [or in the state].</p> <p><i>b.</i> The institution's [lending, investment, service] performance in the area [exceeds/is below] the institution's [lending, investment, service] performance for the [institution/state]; however, it does not change the conclusion/rating for the [institution/state].</p>

**GUIDELINES
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**Conclusions with
Respect to
Performance Tests
(cont'd)**

4. Conclusions (not ratings) per MSA should be limited to a few sentences per test, unless the MSA represents a significant portion of the bank's overall assessment area, or if the bank's performance within low- and moderate-income areas is particularly weak and therefore negatively impacts the bank's overall rating.

- Include only relevant and meaningful data and tables that support conclusions. Data can also be presented in narrative format, but it is important that the information be presented clearly with sufficient supporting facts to explain conclusions. Refer to the Standard PE Tables.
- Provide summaries of the institution's performance instead of listing and describing everything the bank has done. Include only the necessary information to support the rating. Refer to the Standard PE Tables shown under the Lending, Investment, and Service tests.
- Rely only upon the relevant information developed in the performance context when evaluating the performance tests. If the information generated during the performance context does not add anything to the PE or rating, do not use or mention it. By including irrelevant information in the PE e.g., tourist sites, number of manufacturers and people employed in the service industry etc., it will clutter the PE, detract from its quality and hinder the reader's ability to understand the analysis performed and conclusions reached.
- Tactician's loan distribution tables provide four types of loan totals: by loan type, by "market (less lender)," by "market (all activity)," and similarly situated banks. For example, when analyzing the bank's "Distribution of Loans Across Assessment Area by Income Level of Census Tract" or the "Distribution of HMDA/Consumer Loans Across Assessment Area By Income Level," it is important to use the "market (all activity)" total unless the lender is dominant in the assessment area. If the lender is dominant and the "market (all activity)" total is used, a distorted picture of the bank's competitor performance may be displayed. In that case, it may be reasonable to compare the bank to "market (less lender)" figures. Since Tactician provides both figures for the market data, it is important that only one option be consistently applied throughout the PE.

Tactician also has the capability of creating a "similarly situated" peer group for applicable institutions in small business and small farm loan categories. This will allow the examiner to choose similarly situated institutions where possible. This also would be helpful in circumstances where the use of aggregate market data does not provide for an appropriate comparison. An example of this is a market area in which mortgage brokers and finance companies are dominant in the competitive environment. The bank's performance relative to these lenders may not be appropriately assessed unless the analysis is adjusted for the impact of these nonbank entities and a corresponding narrative explanation is included.

**GUIDELINES
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(cont'd)**

**Conclusions with
Respect to
Performance Tests
(cont'd)**

- Limit all analyses to full rather than partial years; current partial-year data should be reviewed if it is available for at least two full quarters. Remember that examination guidelines require examiners to go back to the time of the previous examination when analyzing the institution's performance under the three tests. However, if the bank has not been examined within the past three years, it may be more appropriate to use a shorter period of time e.g., the most recent two years, provided there are no known anomalies or trends present. Reserve the partial-year analysis, if applicable, to the examination's current year-to-date data.

**Institution's CRA
Rating**

Limit the rating summary to a few sentences addressing the bank's performance under each of the Lending, Investment, and Service tests. This brief summary would focus on the **principal factors** considered in the overall rating. Refer to the Sample PE.

**Description Of
Institution**

Minimum data to be included:

- State the institution's name, location, and asset size.
- Note the date and rating of the bank's most recent FDIC and/or State CRA examinations.
- Identify the bank's total loans and major loan products by name, dollar amount and percentage of total loans. If the bank's loan volume is concentrated within a few loan products, a narrative sentence may be more appropriate.
- State the number and general location of the institution's branches, with specific reference to those branches located in low- and moderate-income areas. Detailing each branch by town, city, and census tract is not necessary.
- State the bank's primary business focus.
- Describe the bank's banking environment, e.g. highly competitive.
- Describe the holding company and affiliates, if any.
- If there are no concerns about a bank's financial condition and there are no legal impediments that would impede the bank in helping to meet the community credit needs in a safe and sound manner, include one or two sentences to this effect.

GUIDELINES FOR COMPLETING THE PERFORMANCE EVALUATION (cont'd)

Description of Institution (cont'd)

- Financial ability and capacity can be shown by including the bank's net interest margin (NIM), return on asset (ROA) and tier one leveraged capital ratios, as well as the bank's peer group numbers for these ratios. Financial information can be obtained from the Division of Insurance's (DOI's) RECON product, Report of Condition and Income (Call Report), and Uniform Bank Performance Report (UBPR). Use only public information. If necessary, a local custom peer group analysis can be developed through FDIC's Forest and Trees instead of using the national peer group numbers currently available in the UBPR.
- Simply state the institution's loan-to-deposit ratio (LTD) in the context of its ability and capacity to respond to lending opportunities. For example, a bank with a 50 percent LTD ratio would more likely have a greater capacity to fund loan growth than a bank with a 95 percent LTD ratio. Do not provide an in-depth analysis of the bank's LTD ratio by comparing it to similarly situated banks.

Description of Assessment Area

Minimum data to be included:

- Describe the scope (full or limited) and type of evaluation conducted in each assessment area e.g., on-site examination procedures or off-site data analysis. It may be appropriate to include this information in an appendix to the PE.
- In describing the assessment area, it is understood that there is a considerable amount of demographic, market, and economic data that could be presented. Be concise in your comments by focusing only on the relevant factors that could or do affect the bank's CRA performance. There is no reason to provide voluminous demographic data unrelated to the institution's performance context.
- If there are multiple assessment areas in an MSA, separate assessment area discussions are no longer required. Examiners may group assessment area discussions under the appropriate MSA discussions.
- State whether the assessment area meets the requirements of the CRA regulation rather than assessing its reasonableness.
- State the number and kinds of community contacts conducted and describe any relevant information obtained and used, if any, that helps to fill the gaps in knowledge about the assessment area or the lending opportunities available. *DOI's RECON product may be used to obtain some of the following information, if the assessment area consists of whole counties or MSAs.*
- Briefly describe the assessment area and provide the number of geographies at each income level. Do not list all geographies within the assessment area if this would entail a lengthy presentation.
- State the population level and any relevant trend e.g., increasing, decreasing, stable.

**GUIDELINES
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EVALUATION
(cont'd)**

**Description of
Assessment Area
(cont'd)**

- Briefly describe the competitive environment and peer banks, but limit any detailed discussions to the three **MOST** similarly situated institutions. If there are no similarly situated banks, then a brief sentence to this effect should be included.
- Briefly describe the employment trends, stating the names of the top three major employers.
- Describe any **significant** economic trends.
- State the relevant demographics that lend support to your loan analysis. Demographics may be presented in a tabular or in a narrative format. The Standard PE Table document provides two types of demographic tables. Table 1 provides selected housing characteristics by census tract income category, and would most likely be used for a HMDA analysis. Table 2 is a general demographic table that can be used for any type of loan analysis. Both tables can be expanded or contracted depending upon the particular institution; however, it is expected that there are only limited circumstances that would warrant expanding these tables. In some cases, a narrative discussion may also be appropriate.
- RECON can also be used as a resource for the following information (if relevant):
 - How industries active in the bank's assessment area are performing;
 - Which companies are the largest in the counties in which the bank operates; and
 - What the building trends are for residential real estate

**CONCLUSIONS
WITH RESPECT
TO
PERFORMANCE
TESTS**

Lending Test

Lending Activity

- Conduct a year-by-year review of the loan categories chosen for your analysis. The analysis should be accomplished by reviewing the Tactician maps or tables to determine if there are any trends present, or a particular point that needs to be addressed. Therefore, a detailed PE presentation of year-by-year HMDA and other CRA data may be necessary. Conclusions must still be drawn within the body of the PE regarding the results of your analysis.
- The evaluation should focus on the volume of lending activity among the geographies of different incomes and not necessarily by the number of census tracts penetrated.
- Data can be presented in tabular format. If a table is used, it must be accompanied by a discussion that supports your analysis and conclusions. Tables should generally be limited to one per loan category reviewed, unless the use of another table presents meaningful data that supports your conclusions. The use of tables should enhance your analysis, but they should not be a substitution for your analysis. Refer to the following table format guidelines:
- The Standard PE Tables under the “Lending Activity” section provides three types of tables. Table 1 highlights the bank’s loan distribution both inside and outside of the assessment area and details by year all of the bank’s loans (both originations and purchases) since the last examination for the various loan categories or types reviewed. If there is more than one assessment area, this should be discussed in the context of the institution’s overall performance.

Table 2 is a further analysis of the HMDA types of loans detailed within the assessment area(s). This table would generally be used if there are anomalies present or material points that need to be emphasized within a specific loan type. It is important that examiners review all of the institution’s relevant data before deciding that the use of Table 2 is appropriate.

Table 3 reflects the balances of net loans and leases as a percentage of deposits and assets as of year-end and year-to-date time frames since the last examination. This optional table may be helpful to reflect trends in overall lending activity and to further analyze the bank’s lending capacity.

- Comment on the number and dollar amount of loans originated (and purchased, if applicable) within the assessment area.

**CONCLUSIONS
WITH RESPECT
TO
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TESTS
(cont'd)****Lending Test
(cont'd)**

- Data can be presented in narrative format. If the narrative format is used, it is important that the data be presented in a clear and concise manner with sufficient supporting facts to explain your conclusions. The following is an example of how the lending activity data can be presented without a table:

A majority of New Age Bank's lending activity is encompassed within its assessment area. The bank's level of lending reflects an acceptable level of responsiveness to assessment area credit needs based on the size of the institution, its financial condition and local competition. The results of the analysis are weighted more heavily upon the bank's HMDA originations since they comprise the majority of the bank's lending activity and total loan portfolio.

A review was conducted of the bank's lending activity for 1996, 1997, and year-to-date June 30, 1998. New Age's most recent assessment area was used to determine the bank's lending activity in and outside of the assessment area.

The institution's lending for the evaluation period revealed 350 (or 66.9 percent) by number and \$42,527,000 (or 68.6 percent) by dollar volume of loans were originated within the bank's assessment area. For the years 1996, 1997, and year-to-date 1998, New Age's loan originations within the assessment area averaged between 65 percent and 69 percent by number and 64 percent and 68 percent by dollar amount per year. The assessment area lending by loan type for each year during the evaluation period showed a consistent concentration of loan originations (approximately 68 percent by number) within the home purchase and home improvement loan types, and approximately 65 percent by number within in the small business loan category. New Age has also maintained an adequate level of lending for each year during the evaluation period (approximately 64 percent by number) within the home refinance loan type. Management has attributed its lending performance to its focus on its residential loan products in the communities that the institution serves.

**CONCLUSIONS
WITH RESPECT
TO
PERFORMANCE
TESTS
(cont'd)**

**Geographic
Distribution of
Lending**

- Conduct a year-by-year review of the loan categories chosen for your analysis. The analysis should be accomplished by reviewing the Tactician maps or tables to determine if there are any trends present, or a particular situation that needs to be addressed. Consequently, in most cases, a detailed PE presentation of year-by-year HMDA and other CRA data may be necessary. A general discussion should be made of the bank's level of lending in low- and moderate-income (LMI) census tracts with a comparison to aggregate data and similarly situated banks. Remember, an institution is not required to lend in every census tract so any penetration discussions should be general in nature and expanded only if the bank's general lending levels are poor or there are conspicuous gaps in geographies where an institution could reasonably be expected to lend. Conclusions must always be drawn within the body of the PE regarding the results of your analysis. This includes a discussion about the bank's performance in relation to the applicable percentage of total owner-occupied housing units (use with HMDA data) and total households (use with consumer data).
- Separate the analysis of all selected home loan product categories. *The Standard Tables can be amended to reflect aggregate lending for a particular loan type.*
- Data may be presented in tabular format. If a table is used, it must be accompanied by a discussion that supports your analysis and conclusions. Generally, only one table per loan category reviewed should be used, unless the use of another table presents meaningful data that supports your conclusions. Tables should enhance your analysis, but they should not substitute for your analysis. Refer to the following table format guidelines:
 - When it is more appropriate to present the bank's year-by-year geographic distribution analysis within a table, generally only one table should be used per loan category reviewed e.g., home mortgages.
 - To address the number and dollar amount of loan originations, it is important to look at both figures to determine if the analysis provides similar results. *(Note: the Sample PE only contains tables using an analysis by the number of loans. If an analysis of the dollar volume yields different results from the number analysis, both number and dollar volume tables, provided in the Standard Table templates, should be included in the PE.)*

**CONCLUSIONS
WITH RESPECT
TO
PERFORMANCE
TESTS
(cont'd)**

**Geographic
Distribution of
Lending
(cont'd)**

- When there are no low- and moderate-income geographies in the institution's assessment area, tables are generally not needed to present the geographic distribution; however, a comment regarding adequate distribution by number and dollar amount is still required.
- Data may be presented in narrative format. If the narrative format is used, it is important that the data be presented in a clear and concise manner with sufficient supporting facts to explain your conclusions. The following is an example of how the geographic distribution data can be presented without a table:

New Age Bank exhibited an acceptable level of home mortgage originations throughout its assessment area census tracts for 1996, 1997, and year-to-date June 30, 1998. The bank also exhibited an average degree of lending in the various loan types to all census tract income categories both by number and dollar amount of loan originations. The most weight in this evaluation is placed upon the institution's residential lending within low- and moderate-income (LMI) census tracts.

Overall, New Age's home lending performance was sufficient at 25 originations totaling \$150,000 in the low-income census tracts and 75 originations totaling \$500,000 in the moderate-income census tracts. The bank's performance was comparable to other lenders according to the 1996 and 1997 aggregate lending and similarly situated bank data. In 1996, New Age achieved 4 percent and 5 percent by number and 3 percent and 5 percent by dollar volume within its low- and moderate-income (LMI) census tracts, respectively. New Age's LMI lending is comparable to the 1996 aggregate of 4 percent (to low-income borrowers) and 4 percent (to moderate-income borrowers) by number of loans, and 3 percent (to low-income borrowers) and 6 percent (to moderate-income borrowers) by dollar volume, respectively. In 1997, New Age achieved home originations of 5 percent and 6 percent by number, and 4 percent and 5 percent by dollar volume within its respective LMI census tracts. The bank's 1997 LMI lending is again similar to the 1997 aggregate of 5 percent and 5 percent by number, and 5 percent and 4 percent by dollar volume, respectively.

The percent of one-to-four family home mortgage originations within all of the census tract income categories was similar to the percentage of owner-occupied housing units. New Age's total home mortgage lending by number of originations during the review period was 4 percent and 5 percent within the LMI census tracts, respectively. The institution's loan originations were similar to the percentage of owner-occupied housing units of 4 percent and 6 percent within the LMI census tracts, respectively.

**CONCLUSIONS
WITH RESPECT
TO
PERFORMANCE
TESTS
(cont'd)****Borrower
Characteristics**

- Conduct a year-by-year review of the loan categories chosen for your analysis. The analysis should be accomplished by reviewing the Tactician maps or tables to determine if there are any trends present, or a particular issue that needs to be addressed. In most cases, this would entail a more detailed PE presentation of year-by-year HMDA and other CRA data. A discussion should always be made of the bank's lending to low- and moderate-income (LMI) borrowers with a comparison to aggregate and similarly situated bank data.

Conclusions must always be drawn within the body of the PE regarding the results of your analysis, including a discussion about the institution's performance in relation to the applicable percentage of total households (use with HMDA and consumer data). The discussion also should include the distribution of small business loan originations by gross annual revenue and loan size (use with small business data).

The Standard PE Tables provide for the distribution of small business loans by gross annual revenues under and over \$1 million. It is not necessary to do further stratifications by revenue "buckets" for businesses with gross revenues under \$1 million.

- For consistency purposes, use "total households" as opposed to the "total number of families" when comparing the bank's HMDA performance to the demographics. The Standard Table templates reflect the use of data for total households; but, in conformance with the regulatory requirement regarding the use of "median family income" levels, the tables retain that definitional usage as well. If there is value added to presenting both total household and total family data in the analysis, the examiner has the discretion to discuss conclusions using both sets of data.
- Separate the analysis of major home loan product categories. *The Standard Tables can be amended to reflect aggregate lending for a particular loan type.*

**CONCLUSIONS
WITH RESPECT
TO
PERFORMANCE
TESTS
(cont'd)****Borrower
Characteristics
(cont'd)**

- Data can be presented in tabular format. If a table is used, it must be accompanied by a discussion that supports your analysis and conclusions. Generally, only one table per loan category reviewed should be used, unless the use of another table presents meaningful data that support your conclusions. Tables should enhance your analysis, but they should not be a substitution for your analysis. Refer to the following table format guidelines:
 - When it is more appropriate to present the analysis of a bank's year-by-year lending to borrowers of different incomes within a table, generally only one table should be used per loan category reviewed e.g., home mortgages.
 - To address the number and dollar amount of loan originations, it is important to look at both figures to determine if the analysis provides similar results. *(Note: the Sample PE only contains tables using an analysis by the number of loans. If an analysis of the dollar volume yields different results from the number analysis, both number and dollar volume tables, provided in the Standard Table templates, should be included in the PE.)*
- Data can be presented in narrative format. If the narrative format is used, it is important that the data be presented in a clear and concise manner with sufficient supporting facts to explain your conclusions. The following is an example of how the borrower income distribution data can be presented without a table:

New Age Bank exhibited an acceptable level of HMDA originations to borrowers of different income levels throughout its assessment area for 1996, 1997, and year-to-date (YTD) June 30, 1998. The bank also showed an adequate lending performance to businesses of varying sizes for 1996 and 1997. The most weight in this evaluation is placed upon the bank's HMDA lending, as it constitutes the largest number and dollar volume of lending during the review period. Additionally, the evaluation placed a high degree of weight upon general lending to low- and moderate-income (LMI) borrowers.

**CONCLUSIONS
WITH RESPECT
TO
PERFORMANCE
TESTS
(cont'd)****Borrower
Characteristics
(cont'd)**

During the review period, New Age did a sufficient job of originating HMDA loans to all borrowers within the various income categories, including LMI borrowers. The percentage of loan originations by number for 1996, 1997, and YTD 1998 to LMI borrowers was 1.2 percent (to low-income borrowers) and 2.3 percent (to moderate-income borrowers), 0.9 percent and 2.1 percent, and 1.1 percent and 2.2 percent, respectively. The dollar amount of loan originations to LMI individuals also showed similar results during the review period. The review periods show that the percentage of HMDA originations to LMI borrowers was equal to or slightly better than the percentage of LMI households living within the assessment area. A review of 1996 and 1997 similarly situated bank and aggregate lending data revealed that New Age originated loans to LMI borrowers at a rate equal to other competing HMDA banks and reporters.

Management has had moderate success targeting its LMI individuals with its various first-time homebuyer programs. In December 1997, New Age introduced a new first-time homebuyer program through the New State Housing Finance Authority. In 1998, the program attracted 13 loans totaling \$1,000,000. The program is expected to greatly improve the number of LMI loans the institution can make; however, this is not expected to occur until the third quarter of 1998.

New Age's small business lending is considered good since most of its loans benefited smaller businesses generally employing fewer than 25 people. In 1996 and 1997, New Age originated 65.8 percent and 75.2 percent by number, respectively, of its small business loans to businesses whose gross annual revenues were \$1,000,000 or less. Loans to businesses whose revenues were more than \$1,000,000 averaged around 30 percent for the same periods. During 1996 and 1997, New Age originated 67.1 percent and 77.3 percent by number, respectively, of its small business loans in loan amounts of \$100,000 or less. The percentage of the bank's 1996 and 1997 small business lending by number of loans was equal to or slightly better than the similarly situated bank and aggregate lending data. New Age's small business loan volume for 1996 and 1997 mirrored the percentages by number for loans to small businesses whose revenues were less than \$1,000,000 and whose loan amounts were \$100,000 or less.

**CONCLUSIONS
WITH RESPECT
TO
PERFORMANCE
TESTS
(cont'd)**

Management's small business loan programs have been targeted to specific areas within the bank's assessment area. New Age's Downtown Business Development and Improvement Loan (DBDIL) Program proved to be popular in Old Town's low-income business district. DBDIL was designed to meet the credit needs of the area's small business borrowers and to help stabilize the surrounding LMI neighborhoods.

**Borrower
Characteristics
(cont'd)**

- As an alternative to discussing the bank's first-time homebuyer program (or comparable activities) in this section of the PE, provide a summary statement with respect to the institution's ability to reach LMI borrowers through the program(s). Discuss the program(s) in greater detail in the presentation of the bank's innovative or flexible lending efforts, as applicable.

**Community
Development
Lending (CDL)**

- Provide summaries of the bank's performance instead of listing everything the bank has done. A summary of the overall level of CDL can be presented in tabular or narrative format. Depending upon how the bank's CDL is presented, it is important that the analysis focus on the adequacy of the bank's CDL activities and innovativeness. Only those loans that are particularly innovative, responsive to the community's needs or that help a large number of low- and moderate-income people or geographies should be highlighted. Refer to the Standard PE Tables.
- Provide a general description of the number, dollar amount, and types of CDLs.
- Include a general statement regarding the responsiveness and effectiveness of community development loans and available CDL opportunities.

**Innovative or
Flexible Lending
Practices (IFL)**

- Provide summaries of the bank's performance instead of listing every qualified innovative or flexible loan or program. A summary can be presented in tabular or narrative format. Depending upon how the institution's IFLs are presented, it is important that the analysis focus on how they benefit low- and moderate-income (LMI) people or geographies and the basis for their flexibility or innovativeness. Only those IFL programs that are particularly innovative, flexible or responsive to the community's needs or that help a large number of LMI people or geographies should be highlighted. Refer to the Standard PE Tables.
- Provide a general description of the number, dollar amount, and types of IFLs.
- Include a general statement regarding the responsiveness and effectiveness of the bank's IFLs.

**INVESTMENT
TEST**

- Combine the analysis of all qualified investments, rather than analyzing each debt or equity investment and donation separately. The analysis can be presented in tabular or narrative format. Depending upon how the bank's qualified investments are presented, it is important that the analysis focus on how they benefit LMI people or geographies and their uniqueness. Only those investments that are particularly noteworthy, responsive to the community, or that help a large number of LMI people or geographies should be highlighted. Refer to the Standard PE Tables.
 - Provide a general description of the number, dollar amount, and types of investments.
 - Include a general statement regarding the overall innovativeness and complexity of qualified investments and the institution's responsiveness to available community development investment opportunities.
 - The examiner should also put the amount of qualified investments in perspective of the capacity of the institution to generate or purchase qualified investments. This can be accomplished through several indices: comparison of qualified investments to percent of total donations, percent of total investments, percent of total assets, percent of total equity capital, etc.
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SERVICE TEST**Retail Banking
Services**

- Provide a general statement regarding the accessibility and convenience of the institution's branch locations, business hours and services and determine whether they accommodate LMI individuals or geographies. Detailing hours and services of each office/branch is not necessary unless relevant to the rating.
 - Provide a general statement regarding the accessibility and effectiveness of alternative delivery systems.
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**Community
Development
Services**

- Provide a general description of the types of community development services, and financial and technical expertise provided to community development organizations, if applicable. This information can be provided in tabular or narrative format. The analysis can include the number of services provided and any hours spent by bank staff. Only those services that are particularly noteworthy or that help a large number of LMI people or geographies should be highlighted. Refer to the Standard PE Tables.
- Provide a general statement regarding the innovativeness of community development services.
- Provide a general statement regarding the institution's responsiveness to available opportunities for community development services.

**COMPLIANCE
WITH ANTI-
DISCRIMINA-
TION LAWS**

- If no substantive violations were found, state that no violations of the substantive provisions of the antidiscrimination laws and regulations were identified.
 - If substantive violations involving illegal discrimination or discouragement are found, state that substantive violations were found, whether they caused the CRA rating to be adjusted downward, and why the rating was or was not adjusted. Identify the laws and regulations violated and the extent of the violations, and characterize management's responsiveness in acting upon the violations. Determine whether the institution has policies, procedures, training programs, internal assessment efforts, or other practices in place to prevent discriminatory or other illegal credit practices.
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